

The Commission should use the same basic procedures in auctioning the cellular unserved areas as it uses for PCS, including open bidding, upfront and winning bid deposit payment requirements and similar measures. <sup>87/</sup> BellSouth also agrees with the Commission's proposal to limit auction participation for Phase I markets to those applicants who filed prior to July 26, 1993. Such a limit is a reasonable accommodation in view of the switch from lotteries to auctions for these licenses.

**B. Competitive Bidding Should Not Be Used For  
"Intermediate Links"**

The Commission has determined that so-called "intermediate links" meet the definitional tests of the statute and thus should be auctioned. BellSouth disagrees. This interpretation could lead to impractical and costly results for licensees of the primary service. More importantly, it will negatively impact on the provision of quality wireless services without any corresponding benefit.

For example, if a PCS licensee requires fixed microwave licenses to link various macro and micro cells to its central switching facilities, under the Commission's view, those licenses would be subject to auction. It is noteworthy that few of those fixed links are subject to mutual exclusivity problems today; through a long-standing, highly effective program of frequency coordination and carrier cooperation, needs can generally be met without a spectrum fight.

On the other hand, the growth of wireless networks could increase the demand for intermediate links at a time when fixed microwave spectrum is becoming scarce. Unless the threshold qualifications for applying for such links are tightly controlled, there is a real possibility that the auction process could

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<sup>87/</sup> See discussion regarding proposed PCS auction rules, supra.

become a competitive weapon. Direct and indirect competitive licensees could file mutually exclusive applications and then bid up the costs of these links at auction to create higher capital requirements on others.

Competitive bidding in such cases would likely have a negative impact on the construction and expansion of service facilities. Given that these links are internal to, and not the basis for the subscriber use of, the radio services being offered to the public, there does not appear to be any legislative or policy rationale for imposing auctions on these frequency groups. <sup>68/</sup> In fact, the Budget Act specifically admonishes the Commission to continue to use "engineering solutions" and other means to avoid mutual exclusivity in application and licensing proceedings. <sup>69/</sup> The success to date of frequency coordination argues against the use of auctions simply for additional revenue generation. Creating a competitive bidding scheme in this instance would not serve the objectives of the Budget Act.

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<sup>68/</sup> It can be reasonably argued that internal links are not subscriber service channels, but are instead more analogous to the private channels in the land mobile services that the Commission is not subjecting to auctions.

<sup>69/</sup> Budget Act, sec. 6002(a), § 309(j)(6)(E), 107 Stat. at 390 (to be codified at 47 U.S.C. § 309(j)(6)(E)).

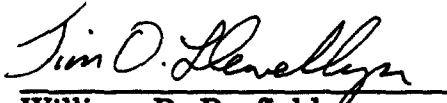
### VIII. CONCLUSION

Adoption of simple and easy to administer competitive bidding rules is the most effective way for the Commission to meet its statutory mandate. For this reason, BellSouth urges the Commission to consider and adopt the proposals detailed above.

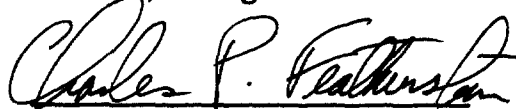
Respectfully submitted,

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